

**REPORT OF THE AUDIT OF THE
BOONE COUNTY
CLERK**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOONE COUNTY CLERK

**For The Year Ended
December 31, 2005**

The Auditor of Public Accounts has completed the Boone County Clerk's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Boone County Clerk had total revenues of \$29,294,210 and total expenditures of \$26,585,636, resulting in net revenues of \$2,708,574. Total revenues increased by \$1,206,157 and total expenditures increased by \$1,141,370 from the prior year. The County Clerk paid 75% of revenues to the State Treasurer in the amount of \$1,954,393. This was a decrease of \$90,505 from the prior year. The County Clerk paid 25% of revenues to the Boone County Fiscal Court in the amount of \$613,566. This was a decrease of \$31,123 from the prior year.

Operating Fund (75%) – The County Clerk's beginning fund balance as of January 1, 2005 totaled \$154,715. Total revenues were \$2,061,644, which included a refund of \$107,251 allowed the County Clerk. Total expenditures were \$2,089,255 and the ending fund balance as of December 31, 2005 totaled \$127,104.

County Fund (25%) – Total revenues of \$613,566 were deposited and transferred to the Boone County Treasurer for the calendar year 2005.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

Leases:

The County Clerk had debt obligations totaling \$77,392 for software licenses and computer hardware as of December 31, 2005.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Marilyn K. Rouse, Boone County Clerk
Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Boone County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2005. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the County Clerk, and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2006, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Marilyn K. Rouse, Boone County Clerk
Members of the Boone County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Boone County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
October 3, 2006

BOONE COUNTY
MARILYN K. ROUSE, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

State Grants	\$	7,332	
State Fees For Services			39,728
Fiscal Court			22,288
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	2,664,561	
Usage Tax		13,339,354	
Tangible Personal Property Tax		9,789,154	
Child Victim Fund		370	
Notary Fees		16,544	
Lien Release Fees		18,992	
Other-			
Marriage Licenses		25,219	
Beer and Liquor Licenses		75,527	
Deed Transfer Tax		1,000,543	
Delinquent Taxes		1,134,812	28,065,076
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		84,087	
Real Estate Mortgages		381,569	
Chattel Mortgages and Financing Statements		468,102	
Powers of Attorney		5,198	
All Other Recordings		145,623	
Charges for Other Services-			
Candidate Filing Fees		400	
Copywork		48,739	
Postage		11,290	
Miscellaneous		1,723	1,146,731
Interest Earned			13,055
Total Revenues			29,294,210

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
 MARILYN K. ROUSE, COUNTY CLERK
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	2,010,599	
Usage Tax		12,940,043	
Tangible Personal Property Tax		3,490,986	
Licenses, Taxes, and Fees-			
Delinquent Tax		120,600	
Legal Process Tax		124,293	\$ 18,686,521

Payments to Fiscal Court:

Tangible Personal Property Tax	1,070,852	
Delinquent Tax	90,426	
Deed Transfer Tax	950,515	
Beer and Liquor Licenses	71,550	2,183,343

Payments to Other Districts:

Tangible Personal Property Tax	4,852,392	
Delinquent Tax	639,614	5,492,006

Payments to Sheriff

4,508

Payments to County Attorney

172,795

Library and Archives Grant (Note 4)

7,332

Other Charges-

Bank Service Charges	39,131	
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Total Expenditures		\$ 26,585,636
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Net Revenues		2,708,574
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Refunds Allowed County Clerk (Note 7)

Allowed For Calendar Year 2004	107,251	
Allowed For Calendar Year 2005	33,364	140,615

Payments to State Treasurer:

75% Operating Fund	1,954,393	
25% County Fund	613,566	2,567,959

Balance Due at Completion of Audit		\$ 0
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The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
MARILYN K. ROUSE, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2005

	75% Operating Fund	25% County Fund	Totals
Restated Fund Balance - January 1, 2005	\$ 154,715	\$	\$ 154,715
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,954,393		1,954,393
Prior Year Refund Allowed County Clerk	107,251		107,251
Fees Paid to State - County Funds (25%)		613,566	613,566
Total Funds Available	2,216,359	613,566	2,829,925
<u>Expenditures</u>			
Boone County Fiscal Court		613,566	613,566
Personal Services-			
Official's Statutory Maximum	91,024		91,024
Official's Expense Allowance	3,600		3,600
Official's Training Incentive	3,093		3,093
Deputies' Salaries	1,025,899		1,025,899
Part Time Salaries	1,160		1,160
Overtime Gross	3,635		3,635
Employee Benefits-			
Employer's Share Social Security	81,416		81,416
Employer's Share Retirement	104,239		104,239
Employer's Paid Health Insurance	189,008		189,008
Employer's Paid Dental Insurance	30,036		30,036
Contracted Services-			
Microfilming	192,000		192,000
Advertising	440		440
Supplies and Materials-			
Office Supplies	36,471		36,471

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
 MARILYN K. ROUSE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges-			
Conventions and Dues	\$ 19,257	\$	\$ 19,257
Travel	2,116		2,116
Postage	18,110		18,110
Maintenance and Repairs	4,673		4,673
Office Furnishings	257		257
Office Renovation/Upkeep	485		485
Indexing Books, Maps	20,816		20,816
Equipment	1,336		1,336
Insurance	9,827		9,827
Preparing Tax Bills	11,970		11,970
Employee Training Programs	745		745
Miscellaneous	4,794		4,794
Debt Service:			
Lease Purchases - Computer Equipment	232,848		232,848
Total Expenditures	2,089,255	613,566	2,702,821
Fund Balance - December 31, 2005	\$ 127,104	\$ 0	\$ 127,104

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2005

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005
(Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BOONE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2005
 (Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$12,551 during 2005. The unexpended prior grant balance was \$606 as of January 1, 2005. Interest earned totaled \$20. Funds totaling \$7,332 were expended during the year. The unexpended grant balance was \$5,845 as of December 31, 2005.

Note 5. Mechanic's Lien Account

The County Clerk has a bank account for mechanic's liens that remained idle throughout the calendar year. When a mechanic's lien is filed, funds can be deposited into this account until the dispute has been settled. There were no funds deposited or expended during 2005 leaving an unexpended balance of \$450 as of December 31, 2005.

Note 6. Leases

Commitments to the following lease agreements as of December 31, 2005 were:

Item Purchased	Monthly Payment	Beginning Date	Ending Date	Principal and Interest Balance December 31, 2005
Software Licenses	\$ 4,048	2/15/03	5/14/06	\$ 13,712
Computer Hardware	17,120	2/15/03	5/14/06	63,680
Totals	<u>\$ 21,168</u>			<u>\$ 77,392</u>

Note 7. Refunds Allowed County Clerk

- A. The County Clerk was allowed to take a refund during 2005 by adjusting a pay-in voucher in the amount of \$107,251. This amount reflects the accumulated overpayment made to the State Treasurer in the prior year as reflected in the prior year audit. The overpayment was primarily a result of an overpayment of ad valorem tax commissions, bank service charges, uncollected returned checks, and one erroneous payment made from the fee account.

BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005
(Continued)

Note 7. Refunds Allowed County Clerk (Continued)

- B. The County Clerk made current year adjustments to pay-in vouchers during 2005 in the amount of \$33,364. Current year adjustments were made to account for the 3.5% commission the County Clerk earns for collecting ad valorem taxes for the Boone County School Districts. Current year adjustments were also made to account for bank service charges not previously adjusted for. The bank service charges are a cost the County Clerk's Office incurs for accepting Visa and MasterCard payments.

Note 8. Restated Fund Balance - 75% Operating Fund

The fund balance as of January 1, 2005 for the 75% Operating Fund was restated to include the \$7,000 petty cash balance maintained by the County Clerk. This amount was inadvertently omitted in prior years.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Marilyn K. Rouse, Boone County Clerk
Members of the Boone County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Boone County Clerk for the year ended December 31, 2005, and have issued our report thereon dated October 3, 2006. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boone County Clerk's financial statements as of December 31, 2005, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
October 3, 2006

